3 Stocks You Can Keep in Your TFSA Forever

Description

Retirees seeking passive income from a Tax-Free Savings Account (TFSA) and investors hoping to generate solid long-term total returns are searching for top TSX stocks to buy during the market correction. In turbulent times, it makes sense to acquire quality dividend-growth stocks that can survive a recession.

TD Bank

TD (TSX:TD) is betting big on long-term growth in the U.S. economy. Canada's second-largest bank by market capitalization is making two strategic acquisitions south of the border to boost its size and clout in the American market. TD is buying **First Horizon**, a retail bank with more than 400 branches, for US$13.4 billion. In another deal that will boost TD's capital markets operations, TD is buying **Cowen**, an investment bank, for US$1.3 billion.

TD built up a war chest of excess cash during the pandemic. It is using the funds to invest in the two acquisitions to drive future revenue and profit growth. Despite the heavy capital outlays, investors should still see solid dividend growth in the next few years. TD increased the payout by 13% for fiscal 2022 and has a long-term compound annual dividend-growth rate of better than 10%.

TD stock looks oversold at the current price near $87.50. Investors can pick up a decent 4% yield and simply wait for the bank sector to bounce back.

Telus

Telus (TSX:T) provides mobile and internet services to millions of Canadian businesses and households. The revenue stream from these segments should hold up well during a recession due to the essential nature of the services. That's important to consider when evaluating stocks to buy right now.

Telus continues to invest in network upgrades to ensure the company protects its competitive moat and is able to provide the broadband capacity subscribers need for work and entertainment. Management accelerated investments in the past two years, including the copper-to-fibre transition. That program is largely complete, and Telus expects its ongoing capital outlays to drop back to a run rate of about $2.5 billion per year. This should free up more cash flow for dividend payments.

Telus is targeting annual dividend growth of 7-10%. The stock is down to about $28 from $34 earlier this year. Investors can now get a solid 4.75% yield.

Enbridge

Enbridge (TSX:ENB) is a major player in the North American energy infrastructure industry with extensive oil and natural gas pipelines that move 30% of the oil produced in Canada and the United States and 20% of the natural gas used by Americans. Enbridge also has natural gas utilities and renewable energy assets that generate steady revenue and cash flow.

Recent investments are geared to the export market. Enbridge spent US$3 billion in 2021 to buy an oil export terminal in Texas. The company is also taking a 30% interest in the new Woodfibre liquified natural gas (LNG) facility being built in British Columbia.

Oil and natural gas demand is expected to grow in the coming years, even as the world increasingly shifts to renewable energy.

Enbridge stock provides a 6.5% yield at the time of writing. Dividend growth will probably be in the 3-5% range per year over the medium term.

The bottom line on top stocks to buy in a TFSA

TD, Telus, and Enbridge pay attractive dividends that should continue to grow. If you have some cash to put to work in a TFSA, these stocks appear undervalued today and deserve to be on your radar.

CATEGORY

1. Investing

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2. NYSE:TD (The Toronto-Dominion Bank)
3. NYSE:TU (TELUS)
4. TSX:ENB (Enbridge Inc.)
5. TSX:T (TELUS)
6. TSX:TD (The Toronto-Dominion Bank)

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